

MINUTE ITEM

This Calendar Item No. C20
was approved as Minute Item
No. 20 by the State Lands
Commission by a vote of 2
0 at its 3/2/92
meeting.

CALENDAR ITEM

A 80

C 2 0

03/02/92

S 37

PRC 6837

Kruger

APPROVE A ONE-YEAR DEFERMENT OF DRILLING OBLIGATION,
STATE GEOTHERMAL RESOURCES LEASE PRC 6837
IMPERIAL COUNTY

LESSEE:

Magma Power Company
Attn: Lou Rambeau Hammond
11770 Bernardo Plaza Court, Suite 366
San Diego, California 92128

AREA, TYPE LAND, AND LOCATION:

State Geothermal Resources Lease PRC 6837 consists of approximately 3,082 acres of school lands located west of Salton Sea, in an area about five miles south of Salton City in northwest Imperial County.

BACKGROUND:

State geothermal resources lease PRC 6837 was issued to Union Oil Company of California (Unocal) in June 1985 for a five-year term. The original lease consisted of approximately 3,682 acres of school land. In June 1986, Unocal quitclaimed 600 acres, leaving 3,082 acres under lease. In March 1989, the Commission approved assignment of an undivided 50 percent interest in the lease from Unocal to Freeport-McMoran Resources Partners, L.P. of Santa Rosa, California, and another undivided 25 percent interest in the lease to Santa Fe Pacific Realty Corporation of San Francisco, California. At that time, Freeport-McMoran became the lease operator.

In May 1990, Freeport-McMoran requested a five-year lease extension. The Commission approved this request in August 1990. The new expiration date of the lease is June 1, 1995. In consideration of the lease extension, Freeport-McMoran agreed that, if a well is not drilled on or offsetting (within 1,000 feet) the leased land by June 1, 1992, the lease will terminate automatically without further notification from the State. All other terms and conditions of the lease remained in full force and effect.

PERTINENT INFORMATION:

In December 1991, Magma Power Company of San Diego, California (Magma) requested that the Commission approve assignment of 100 percent of right, title, and interest under this lease from Freeport-McMoran to Magma Power. The assignment was approved by the Commission on February 5, 1992. Ownership of this lease is shown in records of the State Lands Commission as: Unocal, 25 percent; Santa Fe Pacific, 25 percent; and Magma, 50 percent. Magma has become the lease operator.

Magma is requesting that the Commission approve an amendment to the lease for a one-year deferment of the drilling obligation to June 1, 1993. Magma has requested the one-year deferment because there is insufficient time to make prudent evaluations and the necessary preparations for selection of a deep production well site prior to June 1, 1992. Magma has submitted a detailed exploration program which will include the drilling of at least one temperature gradient well on the State lease, as well as additional temperature gradient wells and geophysical surveys on surrounding lands under lease to Magma.

The proposed exploration program is extensive and will provide additional geologic data on State leased lands. If the Commission approves the requested one year deferment of drilling obligation, it will allow Magma a sufficient period of time to evaluate data from the proposed exploration program, and may lead to completing a geothermal production well test on or adjacent to the State lease prior to June 1, 1993. Magma will be required to review the status of the exploration program with Commission staff on a quarterly basis commencing with the first review on or before June 30, 1992.

AB 864:

N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines

EXHIBIT:

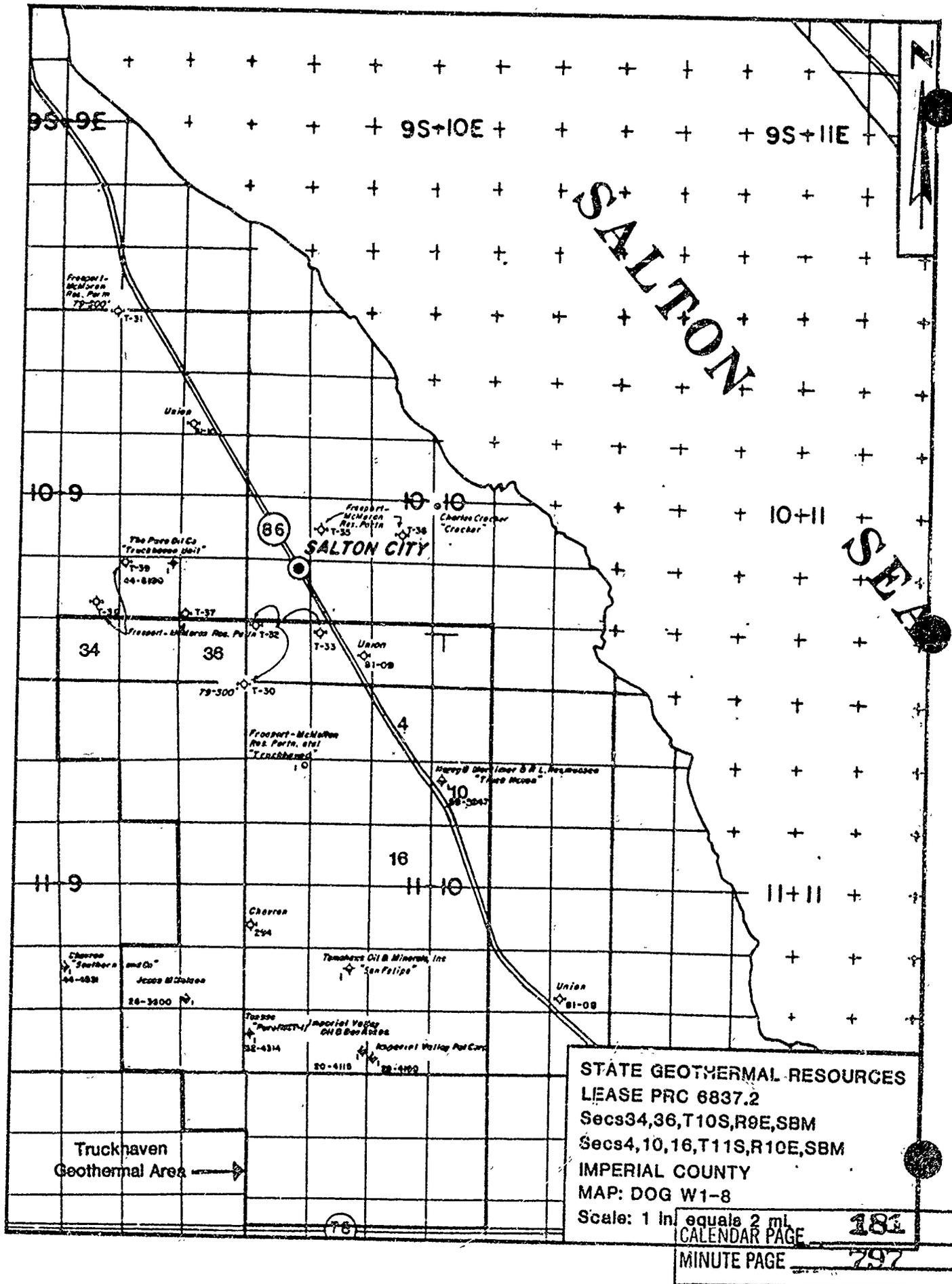
- A. Location Map.

CALENDAR ITEM NO. 0 2 0 (CONT'D)

IT IS RECOMMENDED THAT THE COMMISSIO

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE AN AMENDMENT FOR DEFERMENT OF THE DRILLING OBLIGATION TO JUNE 1, 1993 UNDER STATE GEOTHERMAL RESOURCES LEASE PRC 6837. ALL OTHER TERMS AND CONDITIONS OF THE LEASE REMAIN UNCHANGED AND IN FULL FORCE AND AFFECT.

EXHIBIT A



STATE GEOTHERMAL RESOURCES
 LEASE PRC 6837.2
 Secs 34, 36, T10S, R9E, SBM
 Secs 4, 10, 16, T11S, R10E, SBM
 IMPERIAL COUNTY
 MAP: DOG W1-8
 Scale: 1 in. equals 2 mi.
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